

Message Text

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ACTION AGR-20

INFO OCT-01 EA-11 ISO-00 SWF-02 EB-11 COME-00 CIAE-00

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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 3047

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FOR AGRICULTURE HUME

E.O. 11652: N/A

TAGS: EAGR

SUBJECT: KOREA'S WHEAT CONSUMPTION

REF: A FASTO 21 TOFAS 24

1. THE CLOSEST WE CAN COME TO ESTIMATE WHEAT
CONSUMPTION
ON A SHORT RUN BASIS IS MONTHLY MILL
GRIND AND AT PRESENT THIS ISN'T A RELIABLE GUIDE.

MILL GRIND IN NOV 132,901 MT, DEC 150,000 MT,
JAN 143,000 MT, FEB 50,000 MT, MARCH 50,000 MT EST.
MILLS ARE DIRECTED TO OPERATE NO MORE THAN 20 DAYS
PER MOT. AT THIS LEVEL MAX MONTHLY GRIND IS ABOUT
150,000 MT.

2. AS REPORTED IN REF B. THERE WAS STOCKPILING BY
END USERS PRIOR TO FLOUR PRICE INCREASE ON JAN 24.
APPARENTLY, THIS WAS MORE EXTENSIVE THAN ANYONE
THOUGHT AS MILLERS CLAIM MILL SALES OF FLOUR SHOW
NO SIGNS OF RECOVERING. HOWEVER, MILL GRIND IN
NOV-JAN WAS NORMAL AND THE ABSENCE OF A SURGE IN
FLOUR PRODUCTION SUGGESTS THERE WOULD BE LIMITS TO
THE AMOUNT OF STOCK PILING. YET WE KNOW OF SPECIFIC
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END USERS WHO LAID IN STOCKS FOR 4 TO 6 MONTHS PRIOR

TO PRICE INCREASE.

3. REPORTS REACHING YOU (REFTEL A) REPRESENT THE CONVENTIONAL WISDOM OF THE MOMENT OF FLOUR MILLERS. THEIR VIEWS MAY BE INFLUENCED BY CERTAIN DESIRES THEY HAVE: A. TO GET MAF TO EXPEDITE PAYMENT OF SUBSIDIES TO MILLERS (ABOUT DLRS 100 PER MT); B. TO HAVE BANKS DEFER MONTHLY WON PAYMENTS ON 12 MO. USANCE GRANTED MILLERS FOR WHEAT PURCHASES AND C. RAISE RICE PRICES.

4. CONSUMER DEMAND FOR RICE IS STRONGER THIS YEAR THAN IN THE PAST THREE YEARS. RETAIL CEILING PRICE IS 17 CENTS PER POUND BUT RICE IS SELLING AT 20-21 CENTS. FLOUR IS RETAILING AT CEILING PRICE OF 10 CENTS PER LB. THE HISTORIC PARITY PRICES FOR RICE AND FLOUR IS THAT RICE IS 1.66 TIMES THE PRICE OF WHEAT ON A WEIGHT BASIS. HENCE, AT CURRENT MARKET PRICES, FLOUR IS ATTRACTIVELY PRICED IN RELATION TO RICE. ADDITIONALLY, KOREAN CONSUMERS IN GENERAL WILL STATE THAT EVEN AT CURRENT MARKET PRICE RICE IS ONE OF THE FEW BARGAINS IN RELATIONS TO PRICES FOR OTHER GOODS AND SERVICES.

5. WITH MILL GRIND DOWN, SUPPLY OF BRAN IS AGGRAVATED. DEMAND IS EXTREMELY STRONG AS CEILING PRICE IS ABOUT DLRS 50 PER MT.

6. DESPITE INABILITY TO FULLY EXPLAIN CAUSES OF CURRENT SLUMP IN FLOUR PRODUCTION, AGATT DOES NOT BELIEVE ACTUAL CONSUMPTION IS DOWN SIGNIFICANTLY. BELIEVE BY MID APRIL WE WILL BEGIN TO SEE FLOUR SALES BY MILLS INCREASE WITH A RETURN TO NORMALCY IN MID SUMMER.

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